

# CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

LNB Bancorp, Inc.

Point of Contact:	Gary Elek	RSSD: (For Bank Holding Companies)	1071669
UST Sequence Number:	91	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	25,223,000	FDIC Certificate Number: (For Depository Institutions)	
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	December 12, 2008	City:	Lorain
Date Repaid <sup>1</sup> :	N/A	State:	Ohio

<sup>1</sup>If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

**What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).**

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

From December 31, 2010 to December 31, 2011, total loans outstanding grew from \$812,579,000 to \$843,088,000 or 3.75%.

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☒ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

Loans to individuals increased from \$163,896,000 at year-end 2010 to \$193,185,000 at year-end 2011; commercial loans(C&I) totaled \$67,979,000 at year-end 2011 compared to \$60,624,000 at year-end 2010 ; construction & development loans totaled \$57,130,000 , an increase of \$4,433,000 .

☐ **Increase securities purchased (ABS, MBS, etc.).**

☐ **Make other investments.**

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☐ Increase reserves for non-performing assets.

☒ Reduce borrowings.

Average borrowing for 2011 totaled \$43,403,000 compared to 2008's average outstanding of \$90,041,000.

☒ Increase charge-offs.

Total charge-offs for 2011 totaled \$10,109,000 compared to \$13,625,000 in 2010; \$12,477,000 in 2009; \$4,168,000 in 2008; \$3,332,000 in 2007; and \$2,028,000 in 2006. As a percent of average loans, net charge-offs equaled 1.12% in 2011 compared to 1.62% in 2010, 1.46% in 2009 and .37% in 2008.

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<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution.
<div></div>	

<input type="checkbox"/>	Held as non-leveraged increase to total capital.
<div></div>	

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### What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

The Company was able to maintain capital levels it considers prudent without having to seek alternative funding through the capital markets or other sources. Given the economic environment at the time of the capital infusion and the Company's relative size (approximately \$1.2 billion in assets and a market capitalization of \$38,988,000), it's unclear whether such alternative funding would have been available to the Company.

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### What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

During 2011, the Company was able to execute its business plan, which included growing its loan portfolio while maintaining its balance sheet resulting in continued growth of pre-provision pre-tax core earnings. The growth in core earnings enabled the Company to provide its provision for possible loan losses out of core earnings while realizing net income of \$5,003,000 for the year.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.